

Message Text

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SUBJ: TRADE ACT OF 1974 - COUNTRY ELIGIBILITY FOR GENERALIZED

PREFERENCES (GSP)

REF A. STATE 23113 B. STATE 51555

1. THE FOLLOWING CASES MAY AFFECT DAHOMEY'S ELIGIBILITY FOR
PARTICIPATION IN THE GSP UNDER SECTIONS 502 (B) (4) OF THE
1974 TRADE ACT:

A) NATIONALIZATION OF THE OIL DISTRIBUTION COMPANIES IN
DAHOMEY, 4 DEC 74 (SEE COTONOU 1877 AND COTONOU 1947 AND
COTONOU 1993, ALL DEC 74). WHILE DAHOMEAN GOVT HAS PROMISED TO
COMPENSATE OIL FIRMS FOR THEIR NATIONALIZED PROPERTIES, TO DATE
IT HAS SETTLED WITH ONLY ONE OF FIVE COMPANIES (ROYAL DUTCH
SHELL). THIS LUCKY COMPANY HAD FOR SOME TIME BEEN PRESSING
THE GOVT TO PURCHASE ITS INTERESTS. THE GOVT SETTLED WITH IT
FORTHWITH, PROBABLY TO DEMONSTRATE THAT IT WOULD EVENTUALLY
PAY COMPENSATION FOR THE FOREIGN BANK AND OTHER PETROLEUM INT-
ERESTS TAKEN OVER. SUBSIDIARIES OF TWO AMERICAN OIL FIRMS ARE
INVOLVED: TEXACO AND MOBIL. NEGOTIATIONS ON INDEMNIFICATION
WITH THESE FIRMS HAVE NOT YET BEGUN, ALTHOUGH THE COMPANIES,
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WITHIN A FEW WEEKS OF THE TAKE OVER, SUBMITTED THEIR ESTIMATES

OF THE NET WORTH OF THEIR DAOMEAN OPERATIONS AS OF THE THE DATE OF NATIONALIZATION TO A GOVT-APPOINTED COMMISSION. THESE SUBMISSIONS ARE SAID TO BE STILL UNDER STUDY BY THE COMMISSION.

B) GOVT TAKE-OVER OF SHARES IN TWO PRIVATE BANKS IN DAHOMEY (SEE COTONOU 1865 OF DEC 74) ON DEC 2, THE DAOMEAN GOVT DECIDED UNILATERALLY TO ASSUME SHARES IN TWO OF THE PRIVATE BANKS IN DAHOMEY (AND IT NATIONALIZED TWO OTHER PRIVATE BANKS). THE GOVERNMENT TOOK 50 PERCENT IN ONE BANK, BICI, WHERE THE BANK OF AMERICAN CONTROLS ABOUT 12 PERCENT OF THE OUTSTANDING STOCK, AND 10 PERCENT IN ANOTHER BANK, BIAO, WHERE FIRST NATIONAL CITY CORP CONTROLS 49 PERCENT OF THE OUTSTANDING STOCK. TO DATE, NO DISCUSSIONS HAVE TAKEN PLACE REGARDING THE INDEMNIFICATION OF SHAREHOLDERS OF THE TWO BANKS, DESPITE PREVIOUS GOVT ASSURANCES THAT TALKS ON THE SUBJECT WOULD COMMENCE FEB 1.

2. NEITHER OF THE ABOVE CASES WOULD SEEM TOWARRANT EXCLUSION OF DAHOMEY FROM MEMBERSHIP IN THE GSP SINCE THE DAOMEAN GOVT HAS INDICATED ITS INTENTION TO PAY COMPENSATION FOR THE INTERESTS TAKEN OVER (WE HAVE NO WAY OF KNOWING AT THIS POINT WHETHER THE SETTLEMENTS TO BE OFFERED WILL BE FAIR AND ADEQUATE.)

3. SECTION 502 (B) (6) DOES NOT APPLY TO DAHOMEY BECAUSE THERE HAS BEEN NO DISPUTE WITH AN AMERICAN CORP OR CITIZEN INVOLVING ARBITRATION SINCE DAHOMEY'S INDEPENDENCE.

ENGLE

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